

## FOREWORD

The horrifying events of 11 September 2001 have made an impact on all of us. The U.S. mainland is no longer a sanctuary. More than ever, national security starts at home. But it doesn't end there. Fortress America or isolationism is not a suitable solution. To combat global terrorism, we must be eternally vigilant at home and abroad.

At the U.S. Pacific Command, we understand that we must share our security with other Asian states and that we must cooperate with friends and partners to make the region a safer place. We also understand that international terrorists have global reach. Therefore, it's not enough for us to focus exclusively on the Asia-Pacific region. We must also have a global vision.

The same holds true in the economic arena. The United States cannot secure a prosperous world economy on its own. When the U.S. appetite for Asian goods falters, Asian jobs are lost. When Asians lose their jobs, they buy fewer U.S. goods, and U.S. jobs are lost. Therefore, we see economics as a positive sum game in which the Asian countries and the United States gain from free trade. In short, both sides value the objective of shared prosperity.

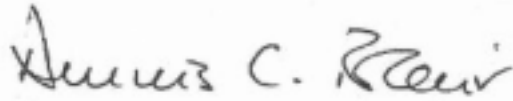
In addition, the United States and Asian countries are part of a global economic community. In this regard, we cannot ignore the financial turmoil that Argentina and Turkey face today. Asia, Latin America, and Europe faced similar financial turbulence in the 1990s. Many are now calling for a new financial architecture that would curb capital flows. In the first two chapters of our study we address this issue head-on. We systematically explore financial crises in Europe, Latin America, and Asia and develop common lessons learned. In this sense, understanding globalization enhances our formulation and execution of the U.S. national security strategy in the Asia-Pacific region.

At the same time, we also appreciate the fact that each Asian economy is somewhat unique. An IMF plan that worked in Mexico may well falter in Indonesia. Therefore, it is imperative for us to have a clear appreciation for the social and political context in which economic decisions are made in each Asian country. To capture this uniqueness, we have expanded the number of Asian economies from six in the *Asia-Pacific Economic Update 2000* to 21 in this 2002 edition. Yet we still take a careful look at the economic strategies that drove the economic performance. We analyze what went right and what went wrong with these economic strategies. If the economic performance is poor, we suggest more promising new economic strategies to generate economic growth. If the economic performance is positive, we suggest ways to sustain this prosperity.

But it's not enough for us to look at economic developments only in a social and political context. Economic developments often drive military decisions. At the same time, economic prosperity cannot take place in a war zone. If the events of 11 September have taught us anything, they have brought home the fact that economics and security are inexorably linked. For instance, money provides the oxygen for terrorist operations. We must block funds to curb terrorist attacks. In addition, we must address the environment that makes terrorism possible. Too often, poverty is a breeding ground for terrorism.

The primary mission of the U.S. military is always to fight and win America's wars. But we can never fall back into a reactive mode, waiting passively for the next military conflict to break out. We have a vested interest in preventive defense. Reducing poverty and investing more in social and economic development strengthen comprehensive security. Through our theater security cooperation programs, the U.S. Pacific Command forms partnerships with other Asian countries and organizations to provide humanitarian assistance, disaster relief, and other building blocks for economic reconstruction and development. This economic instrument of power helps to reduce the social and economic injustice that in turn fans incendiary conditions for military conflict. In this sense, building prosperity and creatively avoiding military conflict via preventive defense is far better than the most decisive military victory.

We are pleased to publish the 2002 edition of the U.S. Pacific Command *Asia-Pacific Economic Update* as a military perspective on the seamless web of economic and security interdependence.

A handwritten signature in dark ink, appearing to read "Dennis C. Blair". The signature is fluid and cursive, with the first name "Dennis" being more prominent than the last name "Blair".

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